

# Determinants of Financial Security of Overseas Filipino Workers' Dependents (OFWDs): An Analysis of Remittance Management of OFWDs in Region 12, Philippines

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## Abstract

Several studies were conducted on the financial behavior of Overseas Filipino Workers (OFW), but few on the families and dependents who are the recipient of an OFW income. This study aimed to determine the financial security of Overseas Filipino Workers' Dependents (OFWDs) through remittance management practices in terms of savings patterns, investment behavior, spending practices, and debt management (SISD). The research design used in the study was descriptive correlational using Multiple Regression Analysis – Stepwise Method to generate the model that best explained the determinants of Financial Security. Findings showed that OFWD has a low level of financial literacy, which affects the way how remittance is managed. It also reflects in the result that the relationship of the OFW to the one who managed the remittance, the number of years in receiving remittance, have no moderation effect on SISD, and financial security. While financial literacy exhibited to have a moderation effect on savings patterns and investment behavior towards financial security. The remittance management of OFWDs in terms of SISD and the level of financial security is good. This study revealed that savings patterns, investment behavior, spending practices, and debt management significantly predict the financial security of the OFWDs, where the investment behavior proved to have the strongest contribution to the prediction of financial security. Hence, to be financially secured, programs related to investment and financial literacy should be strengthened to equip the OFWD in engaging in an investment activity where they are knowledgeable

**Keywords:** financial security, OFW Dependents, remittance management

## 1. Introduction

The decision to migrate is more of a family decision rather than an individual's with the main motivation to improve the family's financial well-being from the expected monetary gain from working abroad (Tan, 2006). As of 2015, the population of migrants in the world is at 240 million. There are many reasons why people migrate, but the very common theme is the desire for a better life through better employment opportunities and higher wages. The wage difference which is three to six times higher from source country to the destination country is the most important labor market determinant of migration flow. The cost of migration faced by migrants is the monetary, social and psychological cost of moving from settling and adapting to a new location with different culture and economic characteristics (World Bank, 2018).

At present, there are some 10.4 million Filipinos overseas (roughly 10 percent of the population) scattered in about 220 countries and territories. These migrant workers have a vital role in the economy due to their contribution in terms of remittances. According to Philippine Statistics Authority (2018), there are approximately 235.9 billion pesos of remittances sent by OFW; the remittances include cash sent home (169.4 billion pesos), cash brought home (55.2 billion pesos), and remittances in kind (11.2 billion pesos). The statistics show that there is an enormous amount that directly becomes part of a household budget managed by the dependents and a primary source of income of an OFW family. The record of Bangko Sentral ng Pilipinas (BSP) indicates that for the first quarter of 2019, the total remittance of OFWs is at \$8.1 billion. A significant amount received by an OFW dependent (OFWD) that the family can use to meet their basic needs and wants.

Looking into how the households of an OFW allocates the remittance, in the latest survey of PSA, (2018) on The Distribution of OFW Whose Families Reported Savings from Cash Remittances Received by Percentage of Cash Remittance Set Aside for Savings:2018, it is noted that out of 2.3 million OFWs who sent cash remittance there are those 53.5 percent who set aside for savings and 46.5 percent are without savings.

Moreover, data from the Family Income and Expenditure Survey (FIES) in the first quarter of 2019 indicate how the family of an OFW allocates remittance. Top household expenditure of the dependents goes to food and other basic needs, which is 96.4 percent, followed by the expenses on education (68.9 percent), and on the top 3 is the medical expense (49.8 percent). It is obvious that the majority of the remittance is spent and consumed by OFWD on basic household necessities, and small percentage is allocated on savings (33.9 percent) and investment (7.6 percent), wherein most of the OFW savings are spent on one-time acquisition on personal assets such as car, and house and lot (ILO, 2018). Thus, savings earned are tied up in liabilities. These findings are affirmed by a study conducted by the Asian Development Bank (ADB) in 2009 that families and relatives of OFW have difficulties in saving money. Financial literacy, or the lack of it, is considered as the weak connection that confronts the migrants and their families who make the final analysis on the productive use of their resources that have a link on the financial security of the dependents. Findings from a focus group discussion in the study of Bagasao (2013) appeared that the overseas workers and their beneficiaries are not aware or have limited access to information and programs of the government and private sectors on how to use their money efficiently. With the lack of financial know-how, the ability to set aside part of the remittance for savings or investing in building a nest egg for future use is affected.

There had been plenty of financial literacy programs introduced by other government sectors in the past that directly link to OFWs and their dependents such as those given by OWWA, Philippine Overseas Workers Association (POEA), Department of Labor and Employment (DOLE), Land Bank of the Philippines (LBP) and other non-governmental organizations. However, according to the study of the World Bank on the financial education programs conducted in the past, there is no evidence that the financial literacy programs are effective among the OFWs and the remittance-receiving household (MacKenzie, Doi, & Zia, 2014).

Several studies were conducted mainly on the remittance and household behavior, which focused on the OFW, who is the sender and provider of funds, but few on the recipient families who manage the funds, which appear to have an empirical gap. Further, most of the studies conducted about OFW were descriptive type of researches. Based on this premise, the researcher wanted to address the lack of rigorous study on

the financial security of the OFW dependents especially upon stopping or retirement from work of the OFWs.

This study attempted to examine the inconsistencies, as presented in the previous researches on the remittance management of the OFW and the OFWDs. However, this research focused primarily on the dependents who handle the funds and who have the discretion to save, invest, spend, and manage debts (SISD). The researcher tried to identify what would predict the financial security of an OFW dependents in terms of the behavior and attitude when it comes to SISD.

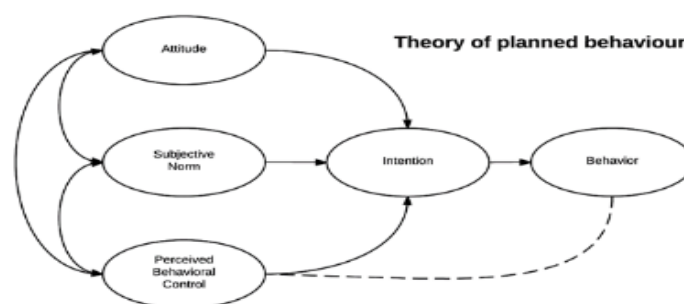
The researcher believed that the proposed study added to the existing body of knowledge on the contribution of the OFW family dependents towards financial security as there are less researches that have been done about the investigated topic.

### Theoretical Framework

**Theory of Planned Behavior.** The central aspect of TPB is the principle of compatibility as used in the prediction of specific behavior. It was first described by Ajzen in 1985 and became one of the most common social-psychological models in predicting and explaining behavior in the field of research. In the studies presented on TPB, the action of an individual is determined by three significant factors that lead to behavioral intentions; these are the attitude toward the behavior, subjective norms, and the perceived behavioral control. The general rule of TPB posits that the more favorable the attitude and subjective norm and the higher the perceived behavioral control of the person, the stronger will be the intention in performing the specific behavior (Ajzen & Cote, Attitudes and the Prediction of Behavior, 2008). The behavioral intention is an alternative measure for a person’s behavior, which represents motivation about his or her decision to perform a particular behavior (Conner & Armitage, 1998). It is further explained that intention, can be affected by time and other uncertain factors which can be internal and external, that influence the willingness of the person to execute the intention. (Ajzen, 1991).

In the case of remittance management, the intention to save, invest, spend, and manage debts are affected by internal and external factors that influenced the intention to perform the specific behavior, wherein this behavior was hypothesized to have a significant effect to the financial security of OFWD

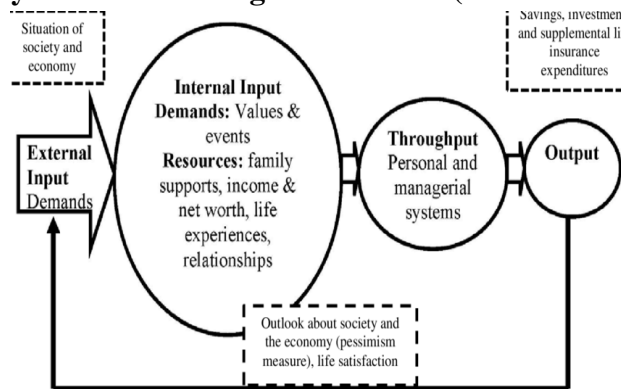
**Figure 1: Ajzen’s Theory of Planned Behavior**



**Family Resource Management Theory.** The field of family resource management involves the financial management of the family and the management of the family’s other resources (Muske G. , 1996). It is done by examining the techniques used by the family money manager in the daily management of finances. In the study on the “Relationships Between Social Support Cognition Types and Family Resource Management of Chinese Migrant Workers” by Chen, et al., (2012) it classified family resources based on four classifications: emotion, finance, information, and services; it specified that the maximum benefits of the resources can only be achieved if the family knows how to use and manage the resources. The

external inputs in the figure are the current situation of the society and the economy, while the internal inputs of the study are the outlook of the respondents about society and the economy, the life satisfaction, and other control variables. The internal inputs pass through the throughput, wherein results in the observable output of the study is the savings behavior. In this study on OFWDs, the external input is the unexpected events such as cessation of work or other unexpected events in the society that the OFWDs do not have control. The internal inputs; these are the behavior of the respondents in savings, investment, spending, and debts management. The resources discussed in the study is the remittance received by the family money manager and other sources of income gained by any of the family members, the throughput is represented by the management or the allocation of funds that will determine the output which is the financial security of the OFWD.

**Figure 2: Family Resource Management Model (Deacon & Firebaugh, 1988)**



Life-Cycle (LC) Hypothesis Model. According to Deaton (2005), Modigliani’s and Brumberg’s original design recognized that life-cycle planning, need an individual to look into and consider the uncertainties in the future, wherein in the year 1950s it was not easy to formulate theoretically a satisfactory and tractable models on how an individual behaved during life’s uncertainty. It was only in the subsequent half-century that methods were developed by economists to deal with uncertainties, with the use of tools from the statistical analysis of time series. The tool was able to predict the future with consistency, which influenced recent studies to improve further the life-cycle theory that will meticulously incorporate an uncertain future. The life-cycle hypothesis model of Modigliani states that an individual tends to save during the early part of his life where income is high and while the individuals can still work, then stops saving during the latter part of life specifically on the retirement stage. The model simply explains the direct relationship between aging, income, consumption, and household savings. Saving is positive for the young and negative on the retired. There are considerations that influence savings over life-cycle such as people saves in order to finance future consumption when they retire, support children and grandchildren for their education, or to leave something to be inherited to people that matters to the individual (Sukpaiboonwat, 2018).

Behavioral Life-Cycle (BLC) Hypothesis. According to Shefrin & Thaler (1988), the life-cycle model can be enriched with three significant features that are behavioral in nature and are not common in economic analyses. These are self-control, mental accounting, and framing. A renowned psychologist, William James describes self-control as the presence of effort in which in the study of Shefrin & Thaler, involves three elements that are lacking in the economic analyses; these are internal conflict, temptation, and will-power. Self-control is postponing a significant amount for consumption in the present to have something

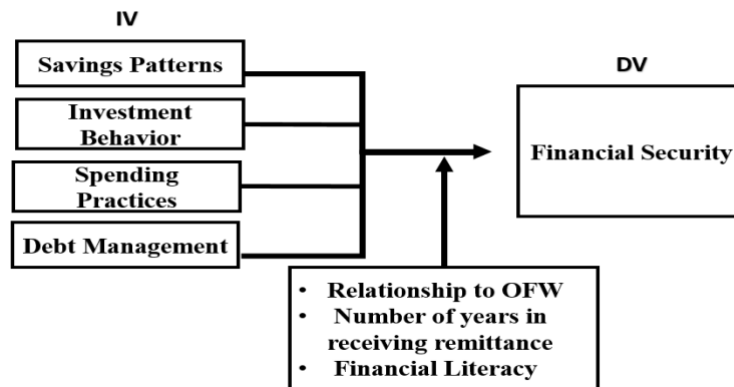
to spend during retirement, in which the one who is more concerned in the future is the planner, while the other who is concerned about the present is the doer. The presence of internal conflict in the decision making of the individual where there is a trade-off between immediate gratification and long-term benefits is a self-control problem that a person should overcome. The concept of temptation is incorporated in modeling a choice, as it posits that the presented options are more tempting than the others. It uses the term willpower as a psychic cost of resisting temptation. The concept of mental accounting as cited in (Xiao & Olson, 1993) was originally proposed by two psychologists, Kahneman and Tversky (1984) in addressing the consumer decision making patterns which inspire Thaler and Shefrin (1988) to propose their version of mental accounts when they introduced the BLC hypothesis. They describe mental accounts into three components: current spendable income (I), current assets (A), and future income (F). According to Thaler (1999), mental accounting is “the set of cognitive operations used by individuals and households to organize, evaluate and to keep track of financial activities.” It is the different values that people place on money based on the subjective area where it classifies funds differently that is prone to irrational decision making in the spending patterns and investment behavior of an individual (Kenton & Segal, 2019). On the other hand, if an individual is setting up mental accounts, it means that the person is engaged in “framing;” it also denotes that the person’s expenditure does not only depend on the total wealth, but it depends on how the wealth is allotted among assets with different level of temptation. An example to this is an individual who is willing to use and spend the asset with the label of current income than those that they have labeled wealth or those that they expect in the future. In essence, BLC postulate that there is psychological and financial transaction cost which is associated with spending from the different types of assets with the assigned labels (Levin, 1998). Applying the BLC theory, the researcher hypothesized that financial security influenced in ways on how household dependents practice self-control in managing the remittance with different levels of temptation associated with it. The mental accounting on how the financial activities are being monitored and organized by OFWD through budgeting and the way the remittance is allocated is a process of framing.

The theoretical frameworks presented serve as the foundation in the research process to strengthen the structure of the conceptual framework analyzed in this study. It is assumed that the way the dependents managed the remittances which come from the overseas workers predicted the financial security of the recipient family member of OFW.

### **Conceptual Framework**

The theoretical frameworks serve as the basic tenets of the study being conducted: (1) The Theory of Planned Behavior, (2) The Family Resource Management Theory, (3) Life Cycle Hypothesis, and the (4) Behavioral Life-Cycle Hypothesis. The conceptual framework, as presented in Fig.3, reflects the relationship between the dependent and independent variables, with the moderating variables. The independent variables of the study that tried to predict and determine the financial security of OFWDs are savings patterns, investment behavior, spending practices, and debt management (SISD). The dependent variable that the researcher explored is the Financial Security of the OFWDs based on the remittance management on SISD. The financial literacy, the number of years in receiving remittance, and the relationship of the dependents to OFW are the moderating variables that determined the strength of how it affected the relationship of SISD and the financial security of the household dependents as shown in the diagram.

**Figure 3: Conceptual Framework**



### Objectives of the Study

Based on the conceptual framework presented, the researcher aimed to determine the level of financial security of an OFWD and their remittance management behavior in terms of savings patterns, investment behavior, spending practices, and debt management (SISD). Further, the researcher addressed the following specific objectives:

1. Describe the profile of the OFWD.
2. Determine the level of remittance management of OFWD in terms of SISD.
3. Know the level of financial security of OFWD.
4. Ascertain the relationship between SISD and Financial Security.
5. Verify if SISD significantly predicts the financial security of OFWD.
6. Validate whether financial literacy, number of years in receiving remittance relationship of OFW to the dependents moderates SISD and the financial security OFWD.

## 2. Methodology

### Research Design

This study is quantitative in nature; it attempted to understand the OFW dependents' determinants of financial security through remittance management, specifically on, savings, investment, spending, and debts. It attempted to answer the research problem by applying the descriptive and correlational research design that supported the results and findings of the study. Descriptive studies were used in describing phenomena addressed in this study, wherein the characteristics of the problem were associated with the subject population (Te, Sabanal, Castro, & Lelis, 2019). This study is quantitative-descriptive since the profile of the respondents included relationship of the OFW to the dependents, number of years of receiving remittance and the level of financial literacy were described. On the other hand, the background and practices of the focus group discussion (FGD) participants in terms of receiving, allocating, and spending remittances from their family members who are OFW were also described qualitatively.

### Sampling Design

The researcher utilized purposive sampling, which is a non-probability sampling design. According to Daniel (2012), purposive sampling is a procedure in which respondents are selected from the target population based on their fit with specific inclusion and exclusion criteria. There are five major considerations in selecting a purposive sample: (1) define the target population (2) identify exclusion and inclusion criteria for the sample, (3) create a plan to recruit and select population elements that satisfy the

inclusion and exclusion criteria, (4) determine the sample size, and (5) select the targeted number of population elements. Some of the strength of this type of sampling design are: it provides more control on who will be selected and included in a sample; findings are more generalizable; and it is more appropriate for research that is focused on a particular segment of target population (Daniel, 2012) in which in this case the, OFW dependent.

### Sample Size

The researcher applied the Cochran formula in determining the sample size. The respondents were the OFWD located in SOCCSKSARGEN Region. With the use of purposive sampling, the inclusion and exclusion criteria were identified to provide more control on who would be selected and to be included in the sample, which is one of the strengths of purposive sampling (Daniel, 2012). The inclusion and the exclusion criteria in determining the targeted respondents should be: (1) the household head who managed the remittance or the decision-maker in terms of the finances of the family, (2) if not a household head, at least he/she is the one who managed the money sent to the dependents, (3) relying on the remittance from abroad as one of the source of income of the family, (4) he or she is a dependent of an OFW or migrant worker and not a dependent of an immigrant. The mentioned inclusion and exclusion criteria were the basis of the researcher in pre-qualifying the respondents. The determination of sample size used the formula of Cochran as stated below.

### Figure 4: Cochran Formula

The formula states that  $n_0 = \frac{Z^2 pq}{e^2}$ , where:

- $n_0$  = is the sample size
- $Z^2$  = is the abscissa of the normal curve that cuts off an area  $\alpha$  at the tails (1 -  $\alpha$  equals the desired confidence level, e.g., 95%)
- $p$  = is the estimated proportion of an attribute that is present in the population
- $q$  = 1-p
- $e$  = is the desired level of precision

(Cochran, 1963).

Using the formula, the minimum sample size of OFWD in Region 12 with a 5 percent margin of error is at 385. The study projected a non-response rate of 20 percent, wherein the new computation of sample size ranged from 385 to 482 respondents.

### Respondents

The respondents were the OFWD from Region 12 or the SOCCSKSARGEN (South Cotabato, Cotabato, Sultan Kudarat, Sarangani, and General Santos City) area. Region 12 was chosen although it is rank 7th in terms of OFW population in the whole Philippines, but in Mindanao, the SOCCSKSARGEN Region has the most numbered OFW (470,000) compared to that of Region 9 (250,000), Region 10 (350,000), Region 11 (330,000) and the Autonomous Region in Muslim Mindanao (210,000), (PSA, 2018). There is no study conducted yet for OFWD with regard to financial security. Hence, this study, which is focused in Region 12, is an offshoot for other regions to give attention to what is happening in terms of management of remittance of the OFWDs that may affect financial security. According to OWWA Region 12, the total population of OFW in Region 12 as of 2017 is at 489,989.

Since there is no available list of the population of OFWDs, as a starting point in determining the sample size per location, the statistics of OFWs from OWWA Region 12 was used. It is noted that in the Social Weather Survey (SWS) in 2015, the statistics of OFW for every Filipino households is 10:1, which means

that for every ten (10) households there is one (1) OFW (Mangahas, 2015). In the case of Region 12, the total number of household as of 2015 is 1,050,680. Applying the 10:1 ratio the estimated number of household with OFW is 105,068 (PSA, 2015).

The sample size per location was determined based on the 5th step stated by Daniel (2012) in selecting a purposive sample which is “select the targeted number of population elements” with a criteria based variability and a homogenous sample wherein the proportion of population is not the focus of the study but more on the inclusion and exclusion criteria.

**Table 1: Distribution of OFWDs per Location in Region 12**

<b>Location</b>	<b>Frequency</b>	<b>Percent</b>
<b>General Santos City</b>	39	9.5%
<b>Koronadal City</b>	40	9.8%
<b>Polomolok</b>	37	9.0%
<b>Tacurong City</b>	32	7.8%
<b>Isulan</b>	24	5.9%
<b>Esperanza</b>	38	9.3%
<b>Cotabato City</b>	34	8.3%
<b>Midsayap</b>	26	6.4%
<b>Kiamba</b>	45	22.0%
<b>Malungon</b>	35	8.6%
<b>Glan</b>	27	6.6%
<b>Kidapawan City</b>	32	7.8%
<b>Total</b>	409	100%

**Data Collection Method**

The researcher conducted a survey in the four provinces and five (5) cities of SOCCSKSARGEN which is with the most numbered OFW (Table 3.2). The selection of the top three location with most numbered OFW is based on reputational sampling which is a subtype of purposive sampling. According to Daniel (2012) the manner of selection in this type of sampling is on the reputation of its association with the variable of interest or due to its history of being particularly representative of the population, which explains the chosen top three location with most numbered OFW. According to OWWA 12 (2017), South Cotabato, General Santos City, and City of Koronadal were the top 3 locations with the highest number of OFWs.

A self-made survey questionnaire was constructed based on the related literatures which served as a tool in gathering the primary source of data and through the responses of the participants in a focus group discussion. An FGD was also conducted with six (6) participants, with time duration of one in a half hour. This was conducted to help the researcher in gathering a relevant information or data that addressed the problem of the study. Focus group discussion as explained by Cooper and Schindler (2014), is typically made up of 6 to 10 people led by a trained moderator, who meet for 90 minutes to two hours. Such discussion uses group dynamic principle to focus or guide the group in an exchange of ideas, feelings and experiences on a specific topic. In another study, participants can be 5 to 10 people, but preferably 6 to 8, similar types of people are sufficient in the conduct of FGD (Krueger, 2002).



The participants that were invited during the conduct of the FGD have the same characteristics, all of them are OFW dependents and recipients of remittance from abroad. Prior to the onset of the FGD, a set of questions was prepared in order to validate the self-made survey questionnaire of the researcher if it matched the idea and information being shared by the participants in the FGD. The detailed methodology of the FGD on the manner of how it was conducted.

The self-made survey questionnaire was validated by three experts, two from the academe and one from the industry. Prior to validation, a letter was made asking permission for the validation of the questionnaire. Upon the approval of request, the validators were given time to evaluate the survey questionnaire and wait for an appointment for the retrieval and discussion about their comments for further improvement.

In the conduct of the survey, permission was sought from the Mayor of the different cities and municipalities included in the research locale. The approved letter of request served as an authorization in doing the survey from the specific localities in the region. The researcher coordinated with the city planning office and the Public Employment Service Office (PESO) who have direct contact with OFW dependents and orient the lead enumerator in terms of the proper selection of the respondents by reading the inclusion and exclusion criteria. Sets of questionnaires were given for distribution to the enumerators and retrieved after two weeks.

### **Research Instrument**

The questions representing the indicators used in the survey questionnaire particularly the questions in numeric scale have undergone a reliability test. Cronbach Alpha was used for the reliability test, wherein the ideal result should be 0.70 or higher. If the result is 0.50 or below, it is considered poor, and there is a need to review and revise the questionnaire, specifically on scale construction (Te, Sabanal, Castro, & Lelis, 2019). The negatively worded items in the scale must be reversed to prevent response bias which will result in very low and incorrect Cronbach alpha value (Pallant, 2005).

A pre-test survey was done to the 30 respondents to check the reliability of the scale, proving that the questions were clear and understandable to respondents, and it certainly did measure the same construct. The pre-tested survey questions were subjected to Cronbach's Alpha test of reliability with a result equal to of 0.949, which is considered as an excellent rating.

The first part of the survey questionnaire is the profile of the respondents, where the variables are in categorical scale. It was measured using the frequency count and percentage. The second part of the questionnaire is a measure on the level of financial literacy of the OFWD, which is based on the training and seminars that the OFWDs attended. The four-point interval scale on the level of agreement was applied. The third part of the questionnaire is the rating scale of the OFWDs level of remittance management. The variables measured were the OFWDs savings patterns, investment behavior, spending practices, and, debt management (SISD) using the four-point interval scale on the level of agreement. The equivalent statistical treatment was the central tendency, and the result was generated by computing the mean weight and the standard deviation. The fourth part of the questionnaire is the measurement on the level of financial security of the OFWDs which is also measured using central tendency. The measure included weighted mean and the standard deviation. The responses of the respondents' financial security are assessed based on the range interval of weighted mean as the corresponding response anchor and interpretation of the response anchor.

### Statistical Treatment

The data gathered in this study were summarized and analyzed employing appropriate statistical constructs. In analyzing the profile of the OFWDs in terms of the relationship to the OFW and the number of years in receiving remittance, it used the descriptive statistical technique wherein the data were interpreted using frequency and percentage.

Multiple regression analysis (MRA) stepwise method was utilized as a tool in exploring the relationship between a single continuous dependent variable and more than one independent variable. In this study, the dependent variable was the financial security of the OFW dependents, while the independent variables were savings patterns, investment behavior, spending practices, and debts management (SISD).

According to Te et al., (2019), MRA is based on the dependence technique that can explain or predict the relationship of the independent variables and the dependent variables. It can be used to address various research questions and explain how a set of variables will be able to predict a set of outcome wherein both the dependent and independent variables are metric. The analysis and interpretation of output will be done with the help of SPSS, which will handle the complex statistical procedure (Pallant, 2005).

In the analysis on the moderating effect of the profile of the OFWDs to the remittance management practices and financial security variables, hierarchical multiple regression analysis was applied through the use of PROCESS developed by Andrew F. Hayes. PROCESS is a computational tool which automatically processes the interaction of the moderating variables (Hayes, 2012).

### 3. Results and Discussion

#### Relationship to the OFW

Based on the result of the survey, the majority of the respondents who managed and received the remittance sent by an OFW are the spouse, followed by the children while the least which is specified in the others are the live-in partner or common-law wife and step-daughter (See Table No.2). This conforms with the study conducted by UN INSTRAW (2008) that the majority of the beneficiaries and the one who allocates the funds are the spouses, specifically the wife, followed by their children. It also shows that the majority of the dependents who managed the funds are the immediate family member who acts as the financial manager and the decision-maker on where the money will be used.

**Table 2: Relationship of OFW to the Dependents**

Relationship	Frequency	Percent
Spouse	124	30.3%
Child	99	24.2%
Siblings	79	19.3%
Grandchild/ren	3	.7%
Parents	77	18.8%
In-laws	9	2.2%
Relative/s	13	3.2%
Others	5	1.2%
Total	409	100%

#### Years of Receiving Remittance

The OFW dependents number of years in receiving remittance presents that the majority of the dependents

(33.6%) have been receiving money for less than three years, followed by 3 to 5 years (28.2%). There is only one respondent who answered more than 30 years as recipient from the OFW remittance. However, in the study conducted in the Philippines for 153 households by Eversole and Johnson (2014), 34 percent of the migrant workers had been working for more than ten years and some for 20 years. This also constitute to the number of years wherein family members had been receiving remittance. To be financially prepared, according to UniTeller (2019), a dependent family should have an OFW who needs to work for more than 18 years to be able to save P3 million, with an average income of P50,000. Considering that the majority of the respondents are receiving for less than three years therefore, it will take time for the family to experience financial security especially if the family only relies on the remittance as the source of income.

**Table 3: OFWDs Years of Receiving Remittance**

No. of Years	Frequency	Percent
<b>Less than 3 years</b>	139	34.0%
<b>3 to 5</b>	116	28.4%
<b>6 to 8</b>	71	17.4%
<b>9 to 11</b>	37	9.0%
<b>12 to 14</b>	18	4.4%
<b>15 to 17</b>	14	3.4%
<b>18 to 20</b>	6	1.5%
<b>21 to 23</b>	4	1.0%
<b>24 to 26</b>	1	.2%
<b>27 to 29</b>	21	.5%
<b>More than 30 years</b>	1	.2%
<b>Total</b>	409	100%

**Level of Financial Literacy of OFWD**

It is evident in the result of the level of financial literacy -- that the dependents of the overseas workers have low-level financial literacy which is an essential component in the proper management of remittance according to Bagasao (2013). While in the study of the Organization for Economic Co-operation and Development (2017) stated that few households were able to benefit from financial training programs. It also posited that if an individual has financial knowledge, it increases the possibility of being financially secure.

Financial literacy programs have been made available to OFW and their families by the government sector and private financial institutions, but the families left behind expected to manage the fund still lacks the necessary knowledge in managing finances, which is critical in making a sound decision in the proper allocation of remittance.

**Savings Patterns**

The results indicate that dependents are good in remittance management. The OFWDs agreed that having savings is like planning for the future, which has the highest mean (3.06) among the indicators. It is a good outlook for the dependents, knowing that it is essential to save for the future. As mentioned by Kapoor, Dlabay, and Hughes (2004), savings should be considered as a safe storage of funds intended for future

use. On the other hand, there is that intent of the OFWDs to save but not to accumulate wealth (lowest mean=2.47) wherein, according to the Center for Enterprise Development (2010) a household can only accumulate wealth if it has extra funds to save for the future and invest in assets. In the study of Eversole and Johnson (2014), most of the household dependents save their remittance through accumulation of asset which is an indicator of a good financial condition

Recognizing the OFWDs need to save for the future is one step to prepare for the economic well-being of the family in times of difficulties and income disruption. Considering the result that OFWDs are good in remittance management in terms of savings, it is clear that the effort of BSP in their campaign on the financial literacy for OFW beneficiaries and their families to save is evident. It also affirmed in the results on the moderating effect of financial literacy on savings patterns and financial security, that for an individual to be inclined to save, there is a need to make him understand the importance of savings and why there is a need to save.

### **Investment Behavior**

The investment behavior of the dependents has a total mean score of 2.51 with an interpretation of good in remittance management. OFW families agreed that having an investment is also having additional income (highest mean=2.90) followed by investment is having properties (mean=2.89). In the report of the Philippine Migration Landscape (2017) overseas employment is considered as another way for OFW and their families to augment their income from the remittance that they receive. However, according to Abella (1992), most of the returned OFW who tried to put up a business for their family lacks the experience and knowledge in operating a business, which leads to business failure. This affirms the result on the dependents' answer on the hesitation of the OFWDs in establishing a business since they do not have a background in business (mean=2.34).

According to Chappel et al., (2010) and Mezger and Beauchemi (2010) migrant workers and their families are encouraged to venture into real estate as a safe investment which can be used on collateral for borrowings and new investment. Filipinos are risk-averse investors and find that investing is a risky endeavor (Reyes, et al.,2013), which is also one of the indicators that has lowest mean (2.28).

There is a potential for the dependent family of a migrant worker to venture into entrepreneurial activity, according to Abella (1992). But with the lack of financial skills and knowledge, it discourages investment among the dependents, which is congruent to the result of this study on the moderating effect of financial literacy on the investment behavior of OFWDs. Hence, having basic financial knowledge would encourage investment and make OFWDs engage in financial activities.

### **Spending Practices**

Spending patterns results show that the dependents are good in remittance management (mean=2.91). The biggest share in the allocation of remittance of the OFWDs is the expenditure of OFW households for basic family needs (food, education, monthly bills, rent, or house amortization) (highest mean=3.57). It is apparent in the 2018 Consumer Expectation Survey of BSP, that 95 percent of OFW households allotted the money sent from abroad for food, rent, and education, while planning for major expenses such as buying properties, cars, etc. (lowest mean=2.48) is not much of their concern. It confirms the report of BSP that an OFW household allocate a 7.8 percent of the remittance on purchase of a car or motor vehicle. The results reveal that majority of the dependents used the remittance basically for subsistence, while major purchases such as on assets are the least priority. It also indicates that remittance is enough for basic

needs and not on an income-generating endeavor. Thus, OFWDs allocation for savings and investment would only be materialized if there is a left-over out from the household expense.

### **Debt Management**

On the management of debt, based on the results, OFWDs are good in remittance management. It appeared that dependents do not borrow money to celebrate on special occasions (highest mean=3.25), which contradicts the statement of Tabuga (2007) that the usual allocation goes to fiesta and special occasion. The indicator with the lowest mean is on borrowings for business (mean=1.93). According to ILO (2015), it is good to borrow money for a business venture to increase the productivity and earning capacity of the household. ILO also advised not to borrow money for a birthday celebration and other social events. The lowest mean result on debt management shows that OFWDs are not inclined to borrow intended for business even if they have the capacity to pay from the remittance that they received. Loans can be viewed as a positive indicator if it is used properly by an OFWD as an alternative approach to earn.

Taking into consideration the report of BSP in the 2019 Consumer Expectations Survey, 23.1 percent of the funds from the overseas sending worker are allocated on debts payments, which is on the 4th lowest mean. It explains that remittance is still not enough since OFWDs have difficulty in paying debts and still need to avail loans to sustain the need of the family.

### **Level of Financial Security of OFWDs**

The OFWDs level of financial security is considered as high level in financial security (mean=2.66). The top indicator is the belief of the family that they have prepared for their children's education (highest mean=3.13). It is said that children who are educated have more options in the future, according to Eversole and Johnson (2014). It is also the reason why education is the 2nd topmost expense next to household needs (BSP, 2019). Meanwhile, the indicator with the lowest mean (mean=2.23) is the availability of money, which can last six months or more, even if no income is interpreted as low-level in financial security. Collins and Ratcliffe (2016) suggested that for a family to be considered financially secured, they have the capability to absorb financial shock during uncertainties. Also, those who work abroad are suggested to set aside three to six months of their salary and insurance and health cover.

Although the study shows that OFWDs have a high level in financial security, according to Mimura (2014), financial preparedness and stability of an individual can be measured through savings and investment. This validates the result of the study which indicates the strong linear relationship of investment behavior ( $r=0.62$ ), and the moderate linear relationship of savings patterns ( $r=0.51$ ) to financial security. Moreover, based on the literature of Corporation for Enterprise Development (CFED 2010), to achieve financial security, the family should have an adequate income to finance basic expenditure wherein spending practices ( $r=0.55$ ) show a moderate linear relationship. CFED also stated that financial security could also be measured on how family pay debts, which is contrary to the result of the study where debt management ( $r=0.18$ ) shows weak to no relationship to financial security. These are also described in the study as the independent variables that predicted financial security, where investment behavior ( $b=0.37$ ) proved to have a strong and unique contribution in predicting financial security. This is also supported by various literature used in the study, that to be financially secured, a family should have an investment or other source of income not solely coming from the remittance.

The moderating effect of financial literacy on savings patterns ( $p \leq 0.0003$ ) and investment behavior ( $p \leq 0.0009$ ) proved to have an influence on financial security, where Bagasao (2013) posited that financial

literacy has an impact on the proper allocation of remittance on savings and investment in preparing for the future.

#### 4. Conclusions and Recommendations

##### Conclusion

The study has been concluded relevant to the problems that it needed to address in determining the financial security of the overseas Filipino workers' dependents (OFWDs) in the management of remittance in terms of savings patterns, investment behavior, spending practices, and debt management in Region 12. On savings patterns, the OFWDs are good in remittance management. The dependents agreed that having savings is like planning for the future which has an important bearing in financial security. However, dependents do not save to accumulate wealth, since there is a need to have an extra fund from the remittance in order to save and invest.

On investment behavior, the OFWDs are considered good in remittance management, where dependents agreed that having investment is having additional income and having properties. On the contrary, dependents find investing risky due to lack of experience in business and the financial knowledge.

On spending practices, it shows that OFWDs are good in remittance management. The biggest part in the allocation of remittance is used on the basic needs of the dependent which has an impact on savings and investment. Planning for major expenses such as buying cars, properties and etc. is the least priority for OFWDs, since a majority of the remittance is for basic subsistence.

On debt management, the OFWDs are good in remittance management, as dependents are not into borrowing money for social gathering, to pay debts with interest, delinquent loans and for their monthly bills. This is a good indicator that remittance is properly utilized. Also, dependents do not borrow for business even if they have the capacity to pay which can also be attributed on the lack of knowledge in business. In addition, dependents find investing as a risky endeavor.

OFWDs have high level of financial security. As dependents, they believe that preparing the education of their children make them financially secured, since the more educated a child is, the more options and opportunities there is in the future. The importance of the availability of money which can last six months or more even if no income has a low-level result for OFWDs. This is equivalent to the preparedness of the dependents to absorb economic shock during uncertainty.

It turned out that savings patterns, investment behavior, spending practices, and debt management have a significant relationship with financial security. The said result is supported by the related literature used in the study. While in terms of correlation, debt management shows weak and no correlation with other variables.

Based on the MRA result, the remittance management practices that significantly predict the level of financial security are investment behavior, spending practices, debt management and savings patterns of OFWDs, where investment behavior appeared to have a unique and strongest contribution in explaining financial security.

Statistically, it shows that the number of years in receiving remittance, the relationship of OFW to the dependents do not have an impact on saving patterns, investment behavior, spending practices, debt management, and financial security of an OFWDs. Most of the OFWDs have been receiving remittance for less than three years. Hence, it is expected that dependents do not have enough resources to save and invest.

Financial literacy has been proven to have an influence on savings patterns and investment behavior towards financial security. Related literature attest that financial literacy equip the dependents on the basic knowledge of remittance management in order to be financially secured.

### **Recommendations**

Proper management of remittance is vital for an overseas Filipino family to be financially secured. Having been able to identify the significant relationship between savings patterns, spending practices, and investment behavior that determines financial security, the researcher recommends the following:

OFWs are the source of remittance, while the OFWDs are the recipients and the beneficiaries of remittance. Both have their share of responsibility in considering the proper management of funds as a family matter to achieve financial security. OFWDs are encouraged to attend financial literacy programs offered by government and private institutions to further enhance basic financial knowledge and to better manage the remittance. OFWDs need to consider savings as a financial cushion during emergencies or a preparation when the OFW stops from sending money due to unemployment or so.

Investment is encouraged, such as engaging in entrepreneurial activities to have an alternative source of income and not to be overly reliant on remittance. Allocate spending on major purchases such as properties or equipment that can be used productively to diversify income. OFWDs may consider borrowing for business endeavor, only if equipped with financial and technical knowledge on how a business operates. Savings and investment are untapped opportunities for OFWDs. Financial institutions are primary intermediaries of remittance. In order to help the OFWDs, there is a need to promote financial awareness by educating OFWDs on how funds can be diversified and invested in a passive income to make their money work for them. This can be done by offering appropriate financial products fit to the risk appetite of the OFWDs. Encourage the OFWDs to save regularly on a separate account from the remittance that they receive through promotion and educational campaign on the importance of savings as financial reserve for emergency situations and for future needs.

With more or less P236 billion remittance that the country receives from the OFW (PSA,2018), it shows that OFWDs remittance is one of the major sources of income of the country. It is recommended that OFWs and their families be provided with programs that are sustainable and have an impact on financial security, where the government could also benefit in the long run. It is suggested that business opportunities that are made available to OFWDs by different government institutions would be evaluated if they address the need of the recipient particularly on the financial opportunities being offered. There is a need to assess OFWDs financial knowledge and their capabilities on the technicalities in business operation since venturing into business is not an easy task for them. Thus, it is essential to prioritize financial literacy programs that would educate OFWDs, especially the spouses who are the direct recipient of remittance. Such programs may focus on the importance of savings and investment. Continuous financial education and counselling could be considered as one of the programs for OFWDs who are given financial assistance to improve their income and the proper management of resources.

Policy maker could propose a bill that would provide social insurance for OFWs to prepare the dependent family from uncertainties. Such as in the case, when an OFW ceased from working abroad due to health concerns, accidents, or unforeseen events. The government may develop a policy for the OFWDs on mandatory savings that is automatically deducted from their remittance. This can be used as a retirement package or an emergency fund for the OFW and their dependents.

Academe plays a vital role in strengthening the financial education of an individual, whether as a child of an OFW or not. Personal Finance can be introduced as part of the curriculum for students to be financially literate not only in managing corporate finance but also in managing personal finances. At an early stage, students need to have a grasp on the importance of financial literacy by inculcating good financial habits such as the value of savings and financial preparedness. Financial literacy can be integrated in the subjects not only on business courses but also in other programs that would teach students on basic money management. This is to prepare individuals to be responsible in managing finances whether the money comes from their own earning or they are recipients of a remittance from abroad.

This study provides basic information on the remittance management of OFW dependents in Region 12. Future researchers can use the data if they want to discover further the indicators that have a substantial contribution to financial security, such as the investment behavior. Other variables could also be explored such as the factors that encourage or discourage OFWDs from saving and investing.

Research on investment opportunities applicable to OFWDs can be considered, since government and banking institutions also support programs related to business endeavor of OFWs and their families. But as to specific investment opportunities, this is another research problem that needs to be investigated.

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